

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 EB-08 INR-10 LAB-04 NSAE-00
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FM AMEMBASSY WARSAW
TO USDOC WASHDC
INFO SECSTATE WASHDC 5091
AMCONSUL POZNAN

UNCLAS WARSAW 4122

COMMERCE FOR BEWT/OEWTD/MURRIN

E.O. 11652: N/A
TAGS: BEXP PL
SUBJ: EXPANSION OF US PAVILION IN POZNAN

1. THE TDC DIRECTOR AND USDOC'S PETER DAHMLow MET MAY 12 IN THE TDC WITH JERZY KUBACKI, CHIEF OF THE INVESTMENT DEPARTMENT FOR THE POZNAN FAIR, AND WITH JERZY SZTRUMPF, AN ENGINEER FROM BUDIMEX WHO HAS BEEN RECENTLY ASSIGNED TO THIS PROJECT ON A FULL-TIME BASIS.

2. KUBACKI REPORTED THAT PREPARATIONS FOR BUILDING THE EXTENSION ARE PROGRESSING WELL. HE SAID THAT BY JUNE 18 THE ARCHITECTURAL APPROVALS BY THE POZNAN PROVINCIAL AUTHORITIES SHOULD BE READY, AND DEMOLITION OF BUILDING 18 CAN BEGIN BY JULY 10.

3. KUBACKI SAID THE FINAL COST FOR THE PROJECT WILL BE AN ESTIMATED 18 MILLION ZLOTYS. OF THIS, THE FAIR WILL PAY 2.5 MILLION ZLOTYS FOR THE INSTALLATION OF ALL UTILITY SERVICES LEADING UP TO THE NEW BUILDING, E.G., SEWER, WATER, AND ELECTRICITY. KUBACKI ACKNOWLEDGED OUR CONTRIBUTION OF 6.5 MILLION ZLOTYS OF THE REMAINING 15.5 MILLION AND ASKED IF WE EXPECTED THE FAIR
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TO COVER THE REMAINING 9 MILLION. WE REPLIED THAT THIS WOULD HAVE TO BE THE CASE, SINCE 6.5 MILLION ZLOTYS WAS ALL WE HAD. IF THE FAIR COULD NOT PAY THE REST, THE PROJECT COULD NOT GO FORWARD. NEVERTHELESS, BOTH SIDES AGREED TO CONSULT WITH THEIR RESPECTIVE GOVERNMENTS TO DETERMINE IF THE DEVALUATION (EARLIER THIS YEAR) OF THE ZLOTY WOULD SOMEHOW CHANGE THE AMOUNT AVAILABLE FOR THIS PROJECT.

4. IF THE PROJECT GOES AHEAD, ASSUMING THE FINANCIAL QUESTION IS RESOLVED, WE WOULD PAY 6.5 MILLION ZLOTYS TO BUDIMEX (THE GENERAL CONTRACTOR) WHICH WILL THEN MAKE ITS OWN INTERNAL AGREEMENTS WITH THE FAIR AUTHORITIES AND WITH BUDOPOL (THE ACTUAL BUILDER). WE WILL AGREE TO PAY BUDIMEX THE ENTIRE SUM UPON COMPLETION OF THE WORK OR IN PARTIAL PAYMENTS, AS MAY BE AGREED UPON.

5. THE MEETING PRODUCED NO FURTHER WORD ON THE SEPARATE AGREEMENT WE WOULD SIGN WITH THE FAIR REGARDING FUTURE USE OF THE PAVILION. WE BELIEVE, HOWEVER, THAT AGREEMENT WILL BE A ROUTINE MATTER AND CAN BE SETTLED LATER. THROUGHOUT THE MEETING, BOTH KUBACKI AND SZTRUMPF FREQUENTLY EXPRESSED THEIR STRONG DESIRE TO GET THE PROJECT COMPLETED.

6. ON MAY 15, AS THIS CABLE WAS BEING PREPARED, BUDOPOL DIRECTOR KACPRZAK, WHO WAS NOT PRESENT AT THE MEETING, AND SZTRUMPF REQUESTED A SPECIAL APPOINTMENT WITH THE TDC DIRECTOR TO URGE QUICK RESOLUTION OF THE FINANCIAL-CONTRIBUTION QUESTION. BOTH SAID THEY DOUBTED THE FAIR COULD PAY A 9 MILLION ZLOTY SHARE AND PRESSED FOR A LARGER CONTRIBUTION FROM THE USG IF WE WANTED TO ENSURE A TIMELY START. KACPRZAK SAID HE DOUBTED BUDOPOL COULD BEGIN WORK IN JULY IF THIS MATTER IS NOT CLEARED UP BY MID-JUNE SINCE BUDOPOL, RIGHT NOW, HAS NO FINANCIAL GUARANTEE FROM ANYONE. BOTH ASKED IF THERE WAS NOT SOME SOURCE OF FUNDS OTHER THAN PL-480 UNCLASSIFIED

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WHICH WE COULD TAP.

7. ALTHOUGH WE CANNOT BE CERTAIN IF THIS LATEST APPROACH IS PURELY A LAST-DITCH BARGAINING PLOY, OR IF THE FAIR REALLY CANNOT COME UP WITH 9 MILLION ZLOTYS, WE STILL NEED CONFIRMATION FROM USDOC THAT 6.5 MILLION ZLOTYS IS ALL WE HAVE. WE HAVE STUCK RIGIDLY TO THIS LINE FOR MONTHS. HOWEVER, THERE IS A REAL RISK THAT IF WE ARE NOT FLEXIBLE, THE PROJECT WILL BE DELAYED ANOTHER YEAR OR SHELVED FOR GOOD. ALTHOUGH US TRADE WITH POLAND HAS LEVELED OFF TEMPORARILY, BUSINESS INTEREST IN THE POLISH MARKET REMAINS HIGH FOR THE LONG RUN, AND WE BELIEVE AN EXPANDED PAVILION IS IN OUR INTEREST.

8. ACTION REQUESTED. PLEASE ADVISE IF TREASURY CAN ADJUST UPWARD OUR ZLOTY CONTRIBUTION IN VIEW OF THE CHANGE IN THE ZLOTY/DOLLAR RATE (PARA 3) FROM 20:1 TO 33:1, OR IF USDOC CAN PROVIDE ANY ADDITIONAL FUNDS FOR THIS PURPOSE. THE DECISION MADE NOW WILL PROBABLY DETERMINE WHETHER WE REALIZE THIS PROJECT. WE WOULD APPRECIATE A REPLY BY JUNE 1. SCHAUFLE

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